

No.11/ 17 /DPM

Jakarta, July 7, 2009

CIRCULAR LETTER

To

ALL SHARIA COMMERCIAL BANKS

AND SHARIA BUSINESS UNITS

Subject : Procedures for the Provision of Intraday Liquidity Facility
Based on Sharia Principles.

With regard to the issuance of Regulation of Bank Indonesia Number 11/30/PBI/2009 dated July 7, 2009 concerning Intraday Liquidity Facility Based on Sharia Principles (State Gazette of the Republic of Indonesia Year 2009 Number 108, Supplement to the State Gazette of the Republic of Indonesia Number 5034), it is deemed necessary to regulate the procedures for the provision of sharia principles –based intraday liquidity facility as follows:

I. GENERAL PROVISIONS

1. Bank shall be Sharia Commercial Bank and Sharia Business Unit.
2. Sharia Commercial Bank shall be Sharia Commercial Bank as intended in Law Number 21 Year 2008 concerning Sharia Banking.
3. The Sharia Business Unit shall be Sharia Business Unit as intended in Law Number 21 Year 2008 concerning Sharia Banking.
4. Bank Indonesia - Real Time Gross Settlement System hereinafter referred to as BI-RTGS System shall be a fund transfer system as intended in the provisions of Bank Indonesia regulating Bank Indonesia - Real Time Gross Settlement System.

5. Bank Indonesia - Scripless Securities Settlement System hereinafter referred to as BI-SSSS shall be transaction facility with Bank Indonesia including its administration and electronic administration of securities as intended in the provisions of Bank Indonesia regulating Bank Indonesia - Scripless Securities Settlement System.
6. National Clearing System of Bank Indonesia hereinafter referred to as SKNBI shall be a clearing system organized by Bank Indonesia as intended in the provisions of Bank Indonesia regulating National Clearing System of Bank Indonesia.
7. Debit Clearing shall be an activity in SKNBI for debit transfer as intended in the provisions of Bank Indonesia regulating National Clearing System of Bank Indonesia.
8. Intraday Liquidity Facility Based on Sharia Principles hereinafter referred to as FLIS shall be financing facility provided by Bank Indonesia to the Banks in their capacity as the members of BI - RTGS System and SKNBI, which is conducted under repurchase agreement (repurchase agreement) of securities that must be settled on the same day as the day of use.
9. FLIS in the context of RTGS hereinafter referred to as FLIS-RTGS shall be FLIS to overcome the Bank financing difficulties occurring during the operational hours of BI-RTGS system.
10. FLIS in the context of Clearing hereinafter referred to as FLIS-Clearing shall be FLIS to overcome the Bank's financing difficulty occurring during the settlement of Debit Clearing proceeds.
11. Bank Indonesia Sharia Certificates hereinafter referred to as SBIS shall be short-term securities based on rupiah currency issued by Bank Indonesia.
12. State Sharia Securities hereinafter referred to as SBSN shall be state securities issued based on sharia principles, as a proof of participation unit to SBSN assets in rupiah currency.

13. SBIS repurchase agreement in the context of the use of FLIS, hereinafter referred to as SBIS repurchase agreement shall be an intraday repurchase agreement by using SBIS as collateral (collateralized borrowing) in the context of using FLIS-RTGS and/or FLIS-Clearing.
14. SBSN repurchase agreement in the context of the use of FLIS, hereinafter referred to as SBSN repurchase agreement shall be an intraday repurchase agreement through the sale transaction of SBSN between the Bank and Bank Indonesia with a commitment to make a repurchase in at the price and in accordance with the term agreed upon in the context of the use of FLIS-RTGS and/or FLIS-Clearing.
15. Inter-Bank Money Market Based on Sharia Principles hereinafter referred to as PUAS shall be inter-bank money market as set forth in the provisions of Bank Indonesia regulating Inter-Bank Money Market Based on Sharia Principles.

II. PROVISION OF FLIS

1. Bank may obtain FLIS both in the form of FLIS-RTGS and FLIS-Clearing.
2. Bank may use FLIS in the event that it meet the following requirements:
 - a. Having securities that may be subject to repurchase agreement with Bank Indonesia in the form of SBIS and/or SBSN;
 - b. Having an active status as the member of BI-SSSS; and
 - c. Having an active status as a member of BI-RTGS and/or not being subject to the imposition of sanction of suspension as a member of SKNBI.
3. Bank meeting the requirements as intended in point 2 and intending to use FLIS must file a written application to Bank Indonesia and completed the following documents of requirements:

- a. 2 (two) copies of Agreement on the Use of FLIS as the sample given in Attachment -1 each of which is duly stamped and signed by the Board of Directors of the competent Bank Official, for:
 - 1) 1 (one) copy for Bank Indonesia.
 - 2) 1 (one) copy for Bank.
- b. for Bank the head office of which is domiciled in Indonesia :
 - 1) the copy of the Bank's articles of association or the most recent amendments legalized by the Bank, containing the authority of the board of director to represent the Bank in the event that the agreement is signed by the board of directors;
 - 2) the copy of the articles of association as intended in point 1) and the power of attorney granted by the board of directors to the official authorized to sign the agreement in the event that the agreement is not signed by the board of directors.
 - 3) the copy of regional regulation for Bank incorporated as region-owned enterprises containing the authority of the board of directors to represent Bank in the event that the agreement is signed by the board of directors;
or
 - 4) the copy of the regional regulation as intended in point 3) and the power of attorney granted by the board of directors to the official authorized to sign the agreement in the event that the agreement is not signed the board of directors.

In the event of UUS, referred to as the articles of association and regional regulation shall be the articles of association of the conventional bank of the relevant UUS or regional regulation serving as the basis for the establishment of regional development bank (*bank pembangunan daerah*) from the relevant UUS.

- c. for Bank the head office of which is domiciled overseas:
 - 1) the copy of the power of attorney issued by its head office containing the authority of the official to represent the Bank in the event that the agreement is signed by Chief Executive Officer (CEO); or
 - 2) the copy of the power of attorney as intended in point 1) and power of attorney granted by CEO to the official authorized to sign the agreement in the event that the agreement is not signed by CEO.
- 4. In addition to the documents of requirements as intended in point 3, Bank shall also attach other supporting documents in the form of copy of valid identity card in the form of Identity Card or passport of the Bank official who is authorized to sign the agreement as intended in point 3 and Agreement on the Collateralization of SBIS in the context of SBIS Repurchase agreement and Commitment (*Wa'ad*) to Repurchase SBSN in the context of SBSN Repurchase agreement.
- 5. The documents as intended in point 3 and point 4 shall be submitted with a cover letter to Bank Indonesia cq. the Directorate of Monetary Management – Monetary Operation Bureau (BI cq.DPM-BOPM), Jl. M.H. Thamrin No.2, Jakarta 10350.
- 6. Bank Indonesia shall give the Bank a written notice of the approval or rejection of FLIS application by no later than 7 (seven) business days prior to the receipt of complete and correct documents as intended in point 3 and point 4 by Bank Indonesia.

7. In the event that FLIS application is approved, Bank Indonesia shall open access for the Bank to use FLIS through BI-SSSS.
8. In the event that the Bank has had FLIS access as intended in point 7 and in the future the relevant Bank is no longer meeting the requirements of FLIS, Bank Indonesia shall suspend the provision of access to use FLIS through BI-SSSS.

III. REPURCHASE TRANSACTION IN THE CONTEXT OF THE USE OF FLIS

1. In the context of obtaining FLIS, Bank shall repurchase SBIS and/or SBSN of the relevant Bank recorded in BI-SSSS.
2. The SBIS Repurchase agreement as intended in point 1 shall be drawn up by entering into a *qard* (loan) and *rahn* (pledge) contract.
3. The SBSN Repurchase agreement as intended in point 1 shall be drawn up by entering into a *al bai'* (sale and purchase) contract along with *al wa'ad* (commitment) made by Bank to Bank Indonesia to repurchase SBSN within a particular term and at a particular price agreed upon.
4. The SBIS as intended in point 1 must meet the following requirements:
 - a. when FLIS is due, it has the remaining term of 3 (three) business days at a minimum; and
 - b. it is not subject to any collateralization.
5. The SBSN as intended in point 1 must meet the following requirements:
 - a. when FLIS is due, it has the remaining term of 11 (eleven) business days at a minimum; and
 - b. it is not subject to any collateralization.
6. Bank Indonesia shall stipulate and announce the price of SBSN which may be subject to repurchase agreement in the context of the

use of FLIS through BI-SSSS, LHBU system and /or other facilities stipulated by Bank Indonesia.

7. The price of SBSN applied in the calculation of the sale of SBSN shall be equal to the price of SBSN applied in the repurchase calculation.
8. The SBIS Repurchase agreement and/or SBSN Repurchase agreement as intended in point 1 shall be drawn up under the following conditions:
 - a. repurchase agreement in the context of FLIS-RTGS
 - 1) Bank must transfer SBIS and/or SBSN into the FLIS-RTGS account with BI-SSSS.
 - 2) The SBIS and/or SBSN as intended in point 1) shall be transferred when Bank requires FLIS-RTGS (self assessment) during the operational hour of BI-RTGS until the cut-off warning of BI-RTGS system.
 - 3) The SBIS and/or SBSN as intended in point 1) shall be non-transferable from the FLIS-RTGS account during the use of FLIS-RTGS by Bank.
 - 4) Bank may retransfer the SBIS and/or SBSN as intended in point 1) from the FLIS-RTGS account upon the settlement of FLIS-RTGS by Bank.
 - b. repurchase agreement in the context of FLIS-Clearing
 - 1) Bank must transfer the SBIS and /or SBSN to FLIS-Clearing account in the context of fulfilling the obligation for providing pre-fund.
 - 2) The SBIS and/or SBSN as intended in point 1) shall be transferred at the beginning of the day prior to the commencement of Debit Clearing in accordance with the provisions of Bank Indonesia governing the National Clearing System of Bank Indonesia.

- 3) Bank may re-transfer the SBIS and/or SBSN as intended in point 1) from FLIS-Clearing account in accordance with the provisions of Bank Indonesia governing the National Clearing System of Bank Indonesia.

IV. THE USE OF FLIS

1. The use of FLIS-RTGS

- a. Bank may use FLIS-RTGS as from the opening of BI-RTGS system until the cut-off warning of BI-RTGS system insofar as Bank has transferred SBIS and/or SBSN to FLIS-RTGS account.
- b. FLIS-RTGS shall be used automatically when the balance of the Bank's rupiah giro account with Bank Indonesia is insufficient for:
 - 1) the settlement of outgoing transaction of BI-RTGS system; and
 - 2) the settlement of Debit Clearing in the event that the securities subject to repurchase agreement for the purpose of FLIS-Clearing is insufficient, in accordance with provisions of Bank Indonesia governing the National Clearing System of Bank Indonesia.

2. The Use of FLIS-Clearing

FLIS-Clearing shall be used automatically when the balance of the Bank's rupiah giro account with Bank Indonesia is insufficient to perform the obligation of the Bank with regard to the final settlement of Debit Clearing insofar as the bank has transferred securities to FLIS-Clearing account.

3. Mechanism for the use of FLIS through BI-SSSS shall be used in accordance with the provisions of Bank Indonesia governing Bank Indonesia-Scripless Securities Settlement System.

V. The Settlement of FLIS

1. Bank must settle FLIS on the day on which the FLIS (T+0) is used and by no later than the pre cut-off time of BI-RTGS system.
2. FLIS shall be settled automatically by BI-RTGS system any time that an incoming transaction is made to the Bank's Rupiah giro account with Bank Indonesia.
3. Mechanism for the settlement of FLIS through BI-SSSS shall be used in accordance with the provisions of Bank Indonesia governing Bank Indonesia-Scripless Securities Settlement System.

VI. FEES FOR THE USE OF FLIS

1. Bank Indonesia shall impose fees for the use of FLIS calculated as follows:

$$\text{Fee for the use of FLIS} = \text{Nominal of the use of FLIS} \times \left[\frac{t}{(10.5 \text{ hours} \times 60 \text{ minutes})} \right] \times R \times \left[\frac{1}{360} \right]$$

Note:

t = Period of use of FLIS (in minutes).

R = Weighted Average of the most recent PUAS overnight prior to the day of the use of FLIS.

10.5 hours = Duration from the opening of operational hour of BI-RTGS System (06.30 WIB) until the cut off warning of BI-RTGS System 17.00 WIB).

2. Fees for the use of FLIS as intended in point 1 shall be calculated by using the following method:
 - a. for the use of FLIS during the first 1 (one) hour, fees for the use of FLIS shall be calculated based on accumulated nominal

- value of FLIS used by the Bank (extend) and the period of use shall be rounded up to 1 (one) hour in minute count.
- b. for the use of FLIS after the first 1 (one) hour as intended in point a, fees for the use of FLIS shall be calculated in accordance with the balance of the use of FLIS with the period of use is rounded up to the nearest minute count.
 3. The calculation of fees for the use of FLIS as intended in point 2 shall be as the sample in Attachment -2.
 4. Fees for the use of FLIS shall be charged 1 (one) business day after the use of FLIS.

VII. TREATMENT TO UNSETTLED FLIS

1. In the event that Bank does not settle FLIS until the deadline as intended in item V.1, then the value of FLIS that is not automatically settled shall be treated as repurchase transaction with Bank Indonesia for the term of 1 (one) business day.
2. Every type and series of securities subject to repurchase agreement as intended in item III.1 shall be subject to haircut the amount of which shall be stipulated by Bank Indonesia and announced through BI-SSSS, LHBUS System and/or other facilities stipulated by Bank Indonesia.
3. Upon repurchase agreement as intended in point 1, Bank shall be subject to repurchase agreement fees with the following calculation:

$$\text{Repo Fee} = (\text{Repo Rate}) \times (t / 360) \times \text{Nominal Use of Repo}$$

$$\begin{aligned} \text{Rate of Repurchase} &= \text{BI Rate} + \text{certain margin} \\ t &= \text{number of calendar day of SBIS/SBSN repurchase.} \end{aligned}$$
4. Bank Indonesia may alter the rate of repurchase as intended in point 3 and shall announce it through BI-SSSS, LHBUS System and/or other facilities stipulated by Bank Indonesia.

5. On the due date of the SBIS repurchase agreement or SBSN repurchase agreement as intended in point 1, BI-SSSS shall automatically make a second leg settlement by means of gross to gross settlement as follows:
 - a. Making fund settlement by way debiting the value of the first leg settlement plus the repurchase fee of SBIS or SBSN from the Bank's giro account.

In the event that during the period of SBSN repurchase agreement any a payment for SBSN return is made, then the payment of such return shall deduct the value of fund settlement.
 - b. making settlement of securities under the following conditions:
 - 1) With regard to SBIS, the settlement is made by re-transferring the recording of SBIS series collateralized from the hold sub-account hold of SBIS to an active sub-account with the nominal value of SBIS Repurchase agreement due.
 - 2) With regard to SBSN, the settlement is made by crediting the nominal value of SBSN subject to repurchase to the Bank's securities account.
6. In the event that the balance of the Bank's giro account is insufficient for settling the repurchase of SBIS or SBSN until the cut off warning of BI-RTGS system, BI-SSSS shall automatically cancel the second leg settlement.
7. In the context of fulfilling the Bank's obligation to settle the repurchase of SBIS and SBSN due as a result of the failure of second leg settlement, Bank Indonesia shall conduct the following matters:
 - a. to debit the Bank's giro account for the settlement of fees payable for the repurchase of SBIS or SBSN; and

- b. to redeem the series of SBIS subject to repurchase agreement prior to maturity date (early redemption) or to treat the type, series and nominal of SBSN that the Bank fails to repurchase as an outright selling automatically through BI-SSSS.

VIII. OTHER PROVISIONS

The Bank signing an Agreement on the Use and Collateralization of FLIS prior to the coming into effect of this Circular Letter must replace it with the Agreement on the Use of FLIS as the sample attached hereto.

IX. CLOSING

With the coming into effect of this Circular Letter, Circular Letter of Bank Indonesia Number 7/36/DPM dated August, 3 2005 regarding Procedures for the Provision of Intraday Liquidity Facility for the Commercial Banks based on Sharia Principles shall be revoked and declared invalid.

The provisions in this Circular Letter shall come into effect as of July 7, 2009.

For public cognizance, hereby ordering the promulgation of this Bank Indonesia Regulation by publishing it in the State Gazette of the Republic of Indonesia.

BANK INDONESIA,

EDDY SULAEMAN YUSUF
DIRECTOR OF MONETARY MANAGEMENT